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POSTAL RATE COMMISSION
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| POSTAL RATE AND FEE CHANGES, 2000 | Docket No. R2000–1 |

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HUNTER TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 15, QUESTION 1
(July 12, 2000)

The United States Postal Service hereby provides the response of witness Hunter to Presiding Officer's Information Request No. 15, question 1.

The question is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

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Kenneth N. Hollies

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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July 12, 2000

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TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 15, QUESTION 1

1. Table 2 in the Attachment to the response to Interrogatory UPS/USPS-T5-2
presents a coefficient of variation (C.V.) of 0.96 percent for the FY 1998 BRPW-
estimated Parcel Post volume of 234,892 thousand pieces. Please show how
the value of C.V. was calculated.

RESPONSE. Because the PERMIT System is a near but not complete census

of permit imprint Parcel Post volume, a measure of sampling error was reported

for this mail category. To obtain a measure of sampling error for the permit

imprint component of Parcel Post for the base year 1998 period, the count of 43

non-automated offices obtained from the findings of the then recently conducted

PQ2-97 survey is required in addition to the PERMIT System data. The PERMIT

System offices are considered a sample from the population of all permit-imprint

Parcel Post reporting offices nationwide, and for estimator precision purposes, a

simple random sample proxy assumption is made in order to obtain an estimate

of the sampling error for the permit imprint component of Parcel Post volume.

The proxy assumption is necessary and made only for the interim period

between the start up for this category under the BRPW occurring in FY 1998 and

the establishment of a newly developed trial balance control account specifically

for permit imprint Parcel Post. To construct an estimate of the sampling variance

for the estimate of total permit imprint Parcel Post volume, the PFY 1998

quarterly data are first converted to the GFY 1998 (Base Year) period and a

simple random sample design based estimate (with finite population correction =

1-n/N) of the variance of the estimated total volume is computed for each

quarter. The square root of the summed quarterly estimates of sampling

variance is then divided by the BY 1998 permit imprint Parcel Post volume

estimate to obtain the estimated C.V. for the estimated volume. The reported

C.V. estimate of 0.0096 was constructed using the program code provided in

USPS-LR-I-26/R2000-1 which was designed to estimate the sampling error for

estimates derived from actual supplemental non-automated office panels used in

the BRPW for other than permit imprint Standard Mail B. In general, these other

estimates are based on actual stratified random sample based panels and the

estimators reflect this design type or a combined (strata) ratio estimator (where a

trial balance control is available) to compute the sampling errors for the

estimates of RPW totals. For the FY 1998 period, however, the PERMIT System

data were expanded outside the BRPW model (in the RPW adjustment model)

using the attained survey ratio of 1.00920754 constructed from the revenue for

all offices divided by the revenue for the automated office segment. The

reported estimated C.V. of 0.0096 is therefore based on a sample from a

population of size 1.00920754 times greater than the PERMIT System size.

Upon review of the applicability of the code to the special case required for

permit imprint Parcel Post for the FY 1998 period, it was found that because

there was no explicit supplemental panel of nonautomated offices for the period,

the variance computation code is not able to utilize the standard reciprocal

sampling fraction expansion of the PERMIT System data technique as required

to incorporate the non-automated office component comprised of 43 offices. As

a result, the sampling error is alternatively recalculated to take into consideration

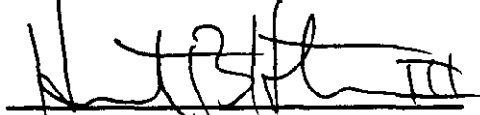the non-automated office count obtained from the FY 1997 survey, and an

estimated C.V. of 0.0158 is obtained. This recalculated value is 0.0062 larger

than the 0.0096 reported and is shown in column (C) of the table below.

PQ-98	(n)	(N)	var(P') (E12) (A)	P' =VOL (000) (B)	C.V.' = SQRT(A) /(B) (C)
1	1,896	1,938	3.192	52,206	
2	1,919	1,962	2.716	55,728	
3	1,965	2,008	2.865	53,293	
4	2,011	2,052	4.953	73,665	
All	-	-	13.727	234,892	0.015773

In the table above, var(P') is the estimated sampling variance for the postal

quarter estimate P' of total volume. The population and sample sizes (N) and

(n), respectively, are shown for each quarter. The quarterly population and

sample sizes change slightly due to movement between the automated and non-

automated office sub-populations.

DECLARATION

I, Herbert B. Hunter III, hereby declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.

Herbert B. Hunter III

Date: July 12, 2000